

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-151
November 17, 1976

CONDITION AND INCOME OF MEMBER BANKS, JUNE 30, 1976 ELEVENTH FEDERAL RESERVE DISTRICT

To All Member Banks

in the Eleventh Federal Reserve District:

Member banks in the Eleventh District experienced moderate growth in the first half of 1976 as the economy moved into its second year of recovery. Loans increased less than usual for this stage of an economic recovery and also less than a year ago. Banks increased their holdings of U.S. Government securities nearly as much as in the same period in 1975 but made smaller additions to their holdings of municipal securities. There was little change in member bank borrowings from the Federal Reserve Bank or the Federal funds market since total deposits increased about as fast as total loans and investments.

Total loans at member banks rose 0.9 percent during the first six months of 1976, even less than the modest 1.9-percent gain in the comparable 1975 period. Business loans increased 4.3 percent during the first half, as business customers continued conservative postures on inventories and capital outlays. Moreover, businesses obtained a large portion of needed funds internally and shifted a sizable amount of bank borrowing into long-term debt.

Consumer loans at member banks in the District increased 5.1 percent during the first half of 1976. Automobile loans continued to rise sharply, as did instalment loans for the repair and modernization of homes. Outstanding loans under credit-card plans declined less than seasonally.

Residential construction activity in the District improved during the first six months of 1976. This was reflected in an increase of 10.1 percent in real estate loans, with most of the rise taking place in construction loans on one to four-family residential properties.

Sales of Federal funds and loans to other commercial banks dropped 21.5 percent, reflecting the ability of most banks to serve customers' credit needs from deposit funds. Thrift institutions also borrowed less heavily from member banks, reflecting the continuation of sizable deposit inflows.

Member banks in the District acquired substantial amounts of U.S. Government securities, primarily in the intermediate maturity range, but increased their holdings of municipal securities less than in previous periods of relatively weak demand. Activities — such as leasing operations — that generate sizeable tax credits, plus increases in loan loss reserves, tended to reduce tax liabilities of the banks, lessening the attractiveness of tax-exempt municipal securities.

Total deposits rose only slightly during the first six months of 1976, mainly because of a seasonal decline in interbank deposits. Demand deposits of individuals and businesses declined 5.6 percent, but this was more than offset by a 7.4-percent increase in time and savings deposits. A significant portion of the expansion in time and savings deposits was in response to the regulatory change in 1975 that permitted businesses to hold savings accounts at banks for the first time.

Net income of member banks totaled approximately \$217 million during the first half of 1976, after taxes and securities adjustments. Interest and fees on loans accounted for roughly 60 percent of the \$1.6 billion in total operating income, while interest and dividends on securities made up a fifth. Total operating expenses came to \$1.3 billion, with more than half this amount attributable to interest paid on time and savings deposits.

Sincerely yours,

Ernest T. Baughman

President

**COMPARATIVE STATEMENT OF CONDITION OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT**

(Amounts in thousands of dollars)

Item	June 30, 1976p	Dec. 31, 1975	June 30, 1975
Loans (gross), including overdrafts ¹	23,760,740	23,553,994	22,308,585
U.S. Treasury securities	3,941,313	3,357,495	2,522,597
Obligations of states and political subdivisions	6,204,968	6,059,437	5,963,645
Other securities (including trading account securities)	1,672,379	1,638,164	1,455,450
TOTAL LOANS (GROSS) AND INVESTMENTS	35,579,400	34,609,090	32,250,277
Cash and balances due from banks	6,817,596	7,423,929	6,029,087
TOTAL ASSETS	43,772,458	44,024,780	40,072,897
Individual — Demand deposits	12,713,156	13,472,668	12,202,157
Individual — Time deposits	14,961,352	13,931,303	12,957,845
Deposits of U.S. Government	293,469	199,673	207,328
Deposits of states and political subdivisions	4,979,876	4,641,347	4,645,548
Deposits of banks	2,769,450	3,217,557	2,434,954
Certified and officers' checks, etc.	334,843	384,440	286,037
TOTAL DEPOSITS	36,052,146	35,846,988	32,733,869
TOTAL CAPITAL ACCOUNTS	3,198,152	3,030,562	2,918,196
Borrowings from Federal Reserve Bank	15,185	200	489
All other borrowings	3,584,215	3,640,071	3,046,354
Ratio of loans to total deposits	65.9%	65.7%	68.2%
Ratio of cash and balances due from banks to total deposits	18.9%	20.7%	18.4%
Ratio of total capital accounts to risk assets (total assets less government securities and cash assets)	9.7%	9.1%	9.3%
Number of member banks	681	673	663

¹ Includes Federal funds sold.

p — Preliminary.

**INCOME, EXPENSES, AND DIVIDENDS OF MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT**

(Amounts in thousands of dollars)

Item	January 1- June 30, 1976p
Interest and dividends on securities	334,757
Interest and fees on loans	955,918
Service charges on deposit accounts	35,221
All other operating income ¹	264,838
TOTAL OPERATING INCOME	1,590,734
Salaries and employee benefits	247,411
Interest on time and savings deposits	682,302
All other operating expenses	398,831
TOTAL OPERATING EXPENSES	1,328,544
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	269,190
Applicable income taxes	50,177
Net securities gains or losses	3,619
Extraordinary items and other charges or credits	1,122
NET INCOME	216,754
Cash dividends declared ²	58,403
Number of member banks	681

¹ Includes income from Federal funds sold and securities purchased under agreements to resell.

² Includes interest on capital notes and debentures.

p — Preliminary.